

**RIGGS, ABNEY, NEAL, TURPEN, ORBISON & LEWIS**

A PROFESSIONAL CORPORATION  
ATTORNEYS AND COUNSELORS AT LAW

FRISCO BUILDING  
502 WEST SIXTH STREET  
TULSA, OKLAHOMA 74119-1010  
(918) 587-3161  
Fax (918) 587-9708

GREGORY W. ALBERTY  
JACK R. ANDERSON  
RYAN J. ASSINK  
J. STEVEN BARKER  
DONALD M. BINGHAM  
WILLIAM A. BOWLES  
RICHARD B. BOYLE  
H. JAMES BRIGGS  
PETER W. BROLOICK  
SCOTT W. BYRD  
DAVID C. CAMERON  
MICHELLE M. CARTER  
PHYLLIS J. COFFMAN  
COLBY L. COOK  
DEBORAH R. DAWSON  
TINA LOUISE DIAZ  
FRANCISCO LUIS DONGO  
GLENN S. DORRIS  
JANET S. DUMONT  
IRA L. EDWARDS, JR.  
GEORGE M. EMERSON  
ROYCE B. FENTON  
JAMES L. FOLTNER  
RICHARD A. GAIN  
RICHARD T. GARREN  
D. SHARON GENTRY  
STEPHEN E. HALE  
MELVIN C. HALL  
SHARON E. HAMM  
CLINTON L. HOOKER  
ERIK S. HOUGHTON  
ROBERT E. HOWARD  
TINA L. IZADI  
STEVEN JANISZEWSKI  
KIEMONN L. JONES

STEPHEN A. JUSTINOV  
DAVID J. KATALINAS  
SARAH G. KIENY  
SCOTT P. KIRLEY  
DAVID M. KNOLLY  
KRISTOPHER E. KOEPEL  
TERRY D. KORDELSKI, II  
ADRIANA L. KUPPER  
JOSEPH P. LENNART  
MICHELLE L. LESTER  
C. S. LEWIS, III  
MARY JEAN LITTLE  
JOHN D. LUTON  
SHANNON M. MCMURRAY  
JANET G. MALLOW  
JOHN ROSS MALOY  
RICHARD M. MILDREN  
GLENN V. MIMS  
J. LYON MOREHEAD  
KAREN L. MORELAND  
JANICE LOGAN MORROW  
ROBERT A. NANCE  
CATHERINE NAPIER  
GARY L. NEAL  
MARK L. NELMS  
JAMES C. ORBISON  
BHAVIN V. PATEL  
GISELE K. PERRYMAN  
CHARLES L. PETERS  
SON V. PHAM  
JAMES R. POLAN  
RICHARD P. POORMON  
TIMOTHY S. POSEY  
VICTORIA L. RACKLEY  
FRED RAHAL, JR.

LISA R. RIGGS  
M. DAVID RIGGS  
STEPHEN B. RILEY  
RANDALL A. RINQUEST  
MARY J. ROUNDS  
JEFFREY D. RUFF  
GRETCHEN M. SCHILLING  
MARK W. SCHILLING  
WILLIAM C. SEARCY  
DAVID A. SIMMENTAL  
ROBERT P. SKEITH  
KENNETH M. SMITH  
BETTY J. SOMMARS  
JOHN P. STAFIRA  
BEVERLY A. STEWART  
MICHELLE M. TANNER  
DANA L. TARTAR  
STEPHANIE L. THEBAN  
DAVID H. THOMAS  
REX W. THOMPSON  
STEPHANIE P. TOLLEFSEN  
BETTY TSAMIS  
CHRISTOPHER L. TURESON  
MICHAEL C. TURPEN  
PHILIP J. VADEBONCOEUR  
LINDA VAN ARKEL GREUBEL  
DIANNE VAN VOORHEES  
KAREN A. WALKER  
KAREN GARDEN WALSH  
GARY L. WATTS  
SHARON K. WEAVER  
DOUGLAS A. WILSON  
JERRY L. WITT

GARY W. WOOD  
JENNIFER L. ZUYUS  
Of Counsel  
Benjamin P. Abney  
John G. Canavan, Jr.  
E. Bryan Henson  
D. Matt Hopkins

Licensed in:  
Arizona  
Arkansas and  
Oklahoma  
California and  
Oklahoma  
Colorado  
Colorado and  
Louisiana  
Colorado and New York  
Oklahoma  
Connecticut  
District of Columbia  
Illinois  
Maryland and  
Oklahoma  
Nebraska  
New Mexico and  
Oklahoma  
South Carolina and  
Oklahoma  
Texas  
Texas and Oklahoma  
Wyoming

October 17, 2003

RECORDATION NO. 24676 FILED

NOV 03 '03 12:01 PM

Vernon Williams, Secretary  
Surface Transportation Board  
1925 K Street, N.W., Suite 700  
Washington, DC 20423-0001

*Via Federal Express Delivery*  
SURFACE TRANSPORTATION BOARD

Dear Secretary Williams:

Enclosed please find the original and one certified copy of the document described below to be recorded pursuant to 49 U.S.C. § 11301.

This document is a Memorandum of Guaranty and Collateral Agreement, a primary document, dated as of July 25, 2003. Please record this document under the next available recordation number.

The names and addresses of the parties to the documents are as follows:

Secured Party/Agent:

Bank of Oklahoma, N.A.  
P.O. Box 2300  
Tulsa, OK 74192

Debtor:

Kansas & Oklahoma Railroad, Inc.  
315 West 3rd Street  
Pittsburg, KS 66762

A description of the collateral covered by the Memorandum of Guaranty and Collateral Agreement is identified on the Schedule attached thereto, and includes collateral now owned and hereafter acquired.



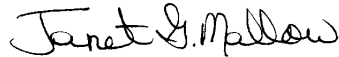
Page 2

A fee of \$30.00 is enclosed. Please return the original and any extra copies not needed by the Board for recordation to:

Riggs, Abney, Neal, Turpen, Orbison & Lewis  
502 West Sixth Street  
Tulsa, OK 74119-1010  
Attn: Wendy Walls

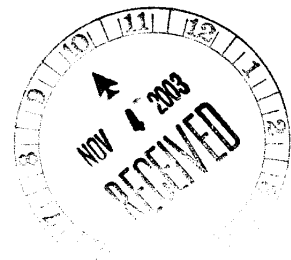
A short summary of the document to appear in the index follows: Memorandum of Guaranty and Collateral Agreement between Bank of Oklahoma, N.A., P.O. Box 2300, Tulsa, Oklahoma 74192, and Kansas & Oklahoma Railroad, Inc., 315 West 3rd Street, Pittsburg, Kansas 66762, covering the equipment described in the Schedule attached thereto, whether now owned or hereafter acquired.

Very truly yours,



Janet G. Mallow  
FOR THE FIRM

Enclosures



## MEMORANDUM OF GUARANTY AND COLLATERAL AGREEMENT

This Memorandum of Guaranty and Collateral Agreement, dated as of July 25, 2003, is by Kansas & Oklahoma Railroad, Inc. (the "Debtor") and Bank of Oklahoma, N.A., as Agent for the Lenders pursuant to the Credit Agreement (the "Credit Agreement"), dated as of July 25, 2003, among Watco Companies, Inc. (the "Borrower"), the Lenders listed therein (the "Lenders"), and the Agent.


1. The Lenders have made loans to the Borrower pursuant to the terms of the Credit Agreement for the purpose of financing the operating needs of the Borrower and its affiliates (including Debtor). Such loans are secured by the Debtor's assets pursuant to the Guaranty and Collateral Agreement, dated as of July 25, 2003 (the "Guaranty and Collateral Agreement").

2. Pursuant to the Guaranty and Collateral Agreement, the Debtor grants to the Lenders a lien on and security interest in all of the Debtor's right, title and interest in and to the Rolling Stock (as defined in the Guaranty and Collateral Agreement) identified on the Schedule attached hereto, whether now owned or hereafter acquired, pursuant to Section 3 of the Guaranty and Collateral Agreement.

In witness whereof, each of the parties hereto have caused this Memorandum of Guaranty and Collateral Agreement to be executed by it's duly authorized officer as of the date first written above.

"Debtor"

**KANSAS & OKLAHOMA RAILROAD,  
INC.**

By   
Randall Readinger, Chief Financial  
Officer

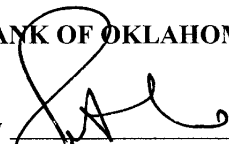
RECORDATION NO. 241676 FILED

NOV 03 '03 12-01 PM

SURFACE TRANSPORTATION BOARD

"Agent"

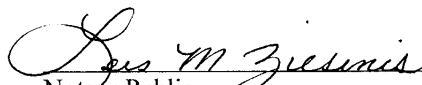
**BANK OF OKLAHOMA, N.A.**

By   
Robert D. Mattax,  
Senior Vice President

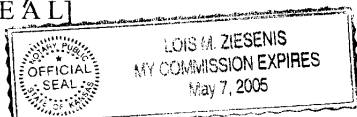
STATE OF Kansas )  
 ) ss.  
COUNTY OF Crawford )

On this 23rd day of October, 2003, before me personally appeared Randall Readinger, to me personally known, who being by me duly sworn, says that he is the Chief Financial Officer of Kansas & Oklahoma Railroad, Inc., that said instrument was signed on behalf of said corporation, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

My Commission Expires:

  
Notary Public

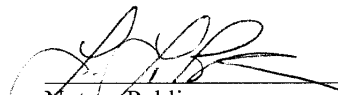
May 7, 2005  
[SEAL]



STATE OF OKLAHOMA )  
 ) ss.  
COUNTY OF TULSA )

On this \_\_\_\_ day of \_\_\_\_\_, 2003, before me personally appeared Robert D. Mattax, to me personally known, who being by me duly sworn, says that he is the Senior Vice President of Bank of Oklahoma, N.A., that said instrument was signed on behalf of Bank of Oklahoma, N.A., and he acknowledged that the execution of the foregoing instrument was the free act and deed of Bank of Oklahoma, N.A.

My Commission Expires:

  
Notary Public

12-01-01  
[SEAL]  
My Commission #  
01017544

Schedule "A"

Included in the property covered by the aforesaid Guaranty and Collateral Agreement are locomotives, cabooses, flat cars, bulkhead flat cars, boxcars, gondolas, coal cars, open top hopper cars, covered hopper cars, woodrack cars, specialty cars (office, club and power), yard cars, system cars and other rail cars intended for use related to interstate commerce, or interests therein, owned by Kansas & Oklahoma Railroad, Inc. at the date of said Guaranty and Collateral Agreement or thereafter acquired by it or its successors as owners of the lines of railway covered by the Guaranty and Collateral Agreement.